

EXHIBIT 25

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

In re:

THE FINANCIAL OVERSIGHT AND PROMESA
MANAGEMENT BOARD FOR PUERTO
RICO, Title III
as representative of
THE COMMONWEALTH OF PUERTO RICO,
et al.,
Debtors.

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD OF PUERTO RICO,
as representative of
PUERTO RICO ELECTRIC POWER AUTHORITY,
Debtor.

* P R O F E S S I O N A L E Y E S O N L Y *

VIDEOTAPED DEPOSITION
OF
FERNANDO L. BATLLE HERNAIZ
New York, New York
Friday, October 11, 2019

Reported by:

ANNETTE ARLEQUIN, CCR, RPR, CRR, CLR
JOB NO. 169103

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<p>1 F. Batlle - Professional Eyes Only 2 before? 3 A. Yes, I have seen them. 4 Q. And is it fair to say that in 5 these letters, the members of Congress who 6 wrote them are critical of the definitive 7 RSA? 8 MS. McKEEN: Objection. The 9 documents speak for themselves. 10 You can answer. 11 A. Yes, in this letter, they express 12 their opinion about the RSA and other 13 topics related to Puerto Rico's energy 14 sector. 15 Q. So among other things, on the 16 second page of the first letter, it says, 17 "The new PREPA RSA also conflicts with 18 Puerto Rico's goal to grow its economy." 19 Do you see that? 20 A. I'm sorry, where are you, sir? 21 Q. The third paragraph down. 22 A. The second page, you said? 23 Q. Yes. 24 A. I'm sorry. 25 (Document review.)</p>	<p>1 F. Batlle - Professional Eyes Only 2 A. Yes, I see that, sir. 3 Q. Do you agree with that statement? 4 MS. DALE: Objection. 5 A. No. 6 Q. Has any analysis been undertaken 7 by PREPA or AAFAF to determine the effect 8 that the RSA has on Puerto Rico's goal to 9 grow its economy? 10 MS. McKEEN: Objection. Outside 11 the scope of the 30(b)(6) topics and 12 the topics that the court has said are 13 within the proper scope of the 9019. 14 You can answer if you know. 15 A. No. 16 Q. No analysis has been undertaken 17 to that degree? 18 A. AAFAF did not undertake or PREPA 19 undertake any analysis related to this. 20 Q. Did anyone else to your 21 knowledge? 22 A. I don't know. 23 Q. Let's look at the first page. 24 Sorry for going out of order here. It 25 says, "National and local policy experts</p>
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<p>1 F. Batlle - Professional Eyes Only 2 agree that the new PREPA RSA is excessively 3 generous to creditors." 4 Do you see that? 5 A. Yes, I do. 6 Q. Do you agree with that statement? 7 A. No. 8 Q. So it's your position that the -- 9 well, for the record, what is the range of 10 recoveries that the RSA provides to 11 creditors, to the settling bondholders 12 creditors? 13 A. The RSA establishes a recovery of 14 67.5 percent on tranche A and up to 10 15 percent on tranche B. 16 Q. So up to 77.5 percent? 17 A. Potentially, yes. 18 Q. So in your view, a 77.5 percent 19 recovery is not overly generous to the 20 settling creditors? 21 A. Well, in my view, given all of 22 the factors that have to be considered, it 23 is something that I believe is reasonable, 24 a reasonable recovery. 25 Q. When you say "all the factors</p>	<p>1 F. Batlle - Professional Eyes Only 2 that have to be considered," what do you 3 mean by that? 4 A. Well, as I stated earlier in my 5 testimony today, achieving PREPA's 6 transformation is a key objective of the 7 government parties. And in that context, 8 achieving a resolution to the restructuring 9 of PREPA's debt is, as I've stated before, 10 a key goal of the government parties. 11 As part of that, there was a 12 negotiation that was reached. And we 13 believe -- when I say "we," the parties 14 that were involved in these negotiations -- 15 that the settlement that was reached was a 16 reasonable one. 17 Q. So let me go back to the 77.5 18 percent recovery. 19 That does not include other 20 components of consideration that are 21 included in the RSA, right? 22 A. That is correct. There are other 23 considerations related to the amount of 24 time, for example, that creditors have to 25 wait until the close of this transaction.</p>

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2 And those are separate from the 67 and a
3 half and the up to 10 percent of tranche B.

4 Q. That includes, for example,
5 settlement payments?

6 A. Yes. There is a settlement
7 charge payment of one cent.

8 Q. And an administrative claim, for
9 example?

10 A. Yes.

11 Q. And a waiver and support fee for
12 certain creditors?

13 A. Yes.

14 Q. Anything else I'm missing?

15 A. Not that I recall, no.

16 Q. Has PREPA or AAFAF performed any
17 calculation of what the total recovery
18 percentages are as a percentage of the
19 bondholders' prepetition claims once all of
20 those additional components of
21 consideration are added in?

22 A. Yes.

23 Q. What was the result?

24 A. I'm going to have to give you an
25 approximate answer. I don't recall if that

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2 number was probably like another 4 percent,
3 maybe 4 and a half percent, somewhere
4 around there, if I recall correctly.

5 Q. So what you're telling me is all
6 in, roughly 81 or 81 and a half or 82
7 percent?

8 A. Yeah, but I don't view that as
9 part of the recovery of a bondholders.
10 That is related to an important part of
11 what the RSA accomplishes, which is it
12 allows for the time to take place to have
13 the transformation process finished.

14 Q. Well, what do you mean it allows
15 for the time --

16 A. Well --

17 Q. -- for the transformation to
18 continue?

19 MS. McKEEN: Let him finish.

20 THE WITNESS: My apologies.

21 A. So the transformation process is
22 a complicated process that eventually leads
23 to selecting a proponent that will run the
24 transmission and distribution operations of
25 PREPA. That process is ongoing. And that

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2 process will probably not be finished until
3 sometime in the summer of 2020.

4 And so in the meantime, what this
5 tries to accomplish, what this attempts to
6 accomplish is to account for that period of
7 time and to provide a compensation to
8 bondholders that have agreed not to pursue
9 any remedies, whatever they are, that they
10 could have against PREPA and the
11 government.

12 Q. Why are they entitled to that
13 compensation?

14 MS. McKEEN: Object to the form
15 of the question.

16 A. That was part of a negotiation
17 between the parties.

18 Q. Okay. But why did PREPA and
19 AAFAF agree to that?

20 A. Because we thought that it was a
21 reasonable request and that it was an
22 important part of being able to find a
23 final, a definitive RSA with the supporting
24 holders.

25 Q. Why couldn't you have waited to

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2 enter into the RSA until the transformation
3 process is ready to close?

4 A. Because as I have stated earlier,
5 solving PREPA's debt restructuring process
6 is an important part of eliminating the
7 uncertainty related to an ongoing
8 bankruptcy process that would facilitate
9 the billing process for the transformation
10 of PREPA.

11 Q. So you don't think the
12 transformation process would continue
13 without settlement of the bond claims under
14 the RSA now?

15 MS. McKEEN: Objection.

16 Misstates testimony.

17 A. I believe that the signing of the
18 definitive RSA is an important step in
19 providing stability as it relates to the
20 debt part of the transaction that will give
21 more certainty to the bidders that are part
22 of the transformation process.

23 Q. How do you know that the bidders
24 need more certainty in order to continue
25 the process and eventually execute an

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2 agreement for the transformation?

3 MS. McKEEN: Object to the form
4 of the question.

5 A. If you are part of a process to
6 run an entity like PREPA and you have an
7 open item related to potential endless
8 litigation that could lead to a receiver
9 which will try to run what you're being
10 asked to bid on and the complications that
11 that relates to, I think as a -- if I put
12 myself in the shoes of a bidder, I would
13 like to have certainty about how PREPA will
14 exit from the bankruptcy process.

15 Q. Have you actually spoken to any
16 of the bidders in the process?

17 A. I am not part of that process.

18 Q. Has PREPA or AAFAF?

19 A. This process is run by the P3
20 Authority, so I wouldn't be able to answer
21 who has had the direct conversations with
22 them.

23 Q. How long has the transformation
24 process been -- when did it begin?

25 A. I don't recall the exact date,

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2 but it was after Hurricane Maria. So it
3 was probably sometime, I would say, early
4 2018, maybe. First half of 2018.

5 Q. Was that before or after the
6 execution of the preliminary RSA?

7 A. I believe it was before the
8 execution of the preliminary RSA.

9 Q. And I think you said that there
[REDACTED]

1 F. Batlle - Professional Eyes Only
[REDACTED]

1 F. Batlle - Professional Eyes Only
[REDACTED]

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2 transaction, it's a combination of what the
3 economic recovery is, but there is also
4 other very important benefits such as a
5 limitation of remedies, such as capping the
6 transition charge, and those are very
7 important considerations as well in
8 addition to the recovery level.

9 Q. Okay. So considering that there
10 are these other benefits you believe the
11 RSA has, would an 85 percent recovery to
12 bondholders been reasonable to you?

13 MS. McKEEN: Objection. Calls
14 for speculation.

15 MR. BEREZIN: Hypothetical.

16 A. I believe that the deal structure
17 is a reasonable deal and any other number
18 is irrelevant at this stage. We struck a
19 deal for 67 and a half with an up
20 additional 10 percent recovery in the
21 tranche B, and we believe that's a
22 reasonable number.

23 I mean, is 85 reasonable? I tell
24 you what I think is reasonable, which is
25 the current agreement.

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2 Q. So if the current agreement was
3 exactly the same as it is today, except the
4 recovery was instead of 77 and a half
5 percent on the two tranches, a total of 85
6 percent, you don't have a view as to
7 whether or not PREPA or AAFAF would have
8 approved that deal?

9 MS. McKEEN: Same objections.

10 Calls for speculation. I'll counsel
11 the witness not to guess or speculate.

12 A. Yes, I'm not going to speculate
13 whether that be would be a reasonable
14 number or not. I want to repeat one more
15 time that I believe that the current
16 recovery levels are reasonable, are a
17 reasonable settlement.

18 Q. So you mentioned these other
19 benefits that you believe the settlement
20 has, including, I think you said, capping
21 the transition charge. You mentioned other
22 provisions of the new bonds regarding
23 remedies. And you also mentioned effect on
24 the transformation.

25 Is that fair?

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2 A. Yes, that's fair.

3 Q. Did PREPA undertake any effort to
4 quantify the value of each of those other,
5 and I'll call them "non-economic benefits"
6 of the RSA?

7 MS. McKEEN: Objection to the
8 form of the question.

9 A. Yes.

10 MS. McKEEN: You can answer.

11 A. Yes.

12 Q. What efforts were undertaken to
13 do that?

14 A. Well, for example, let's talk
15 about rates. So under the current RSA, you
16 have a capped rate level that starts
17 slightly under 3 cents and then goes up
18 over time up to 4.55, I believe. And if
19 you compare that to not having an RSA, for
20 example, and seeing what the debt service
21 would look like, there is a significant
22 difference, meaning the RSA much lower than
23 that.

24 If you take the capping concept
25 and you look at the current RSA, it --

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2 regardless of demand, you will have the
3 same charge, the same transition charge.

4 If you didn't have that kind of a
5 protection, which you did not or you do not
6 under the trust agreement because you have
7 a rate covenant, and you lower demand, all
8 that means is that that -- the equivalent
9 of the transition charge would go up and so
10 -- in a material way, potentially,
11 depending how much demand goes down.

12 So I believe that just that
13 element of it provides significant benefits
14 in the certainty that it provides to
15 ratepayers and in having shifted one of the
16 bigger risks you have, which is demand
17 risk, to bondholders.

18 Q. So did you quantify that in terms
19 of how much that was worth as far as
20 percentage recoveries to bondholders?

21 A. No, I did not do a detailed
22 analysis of what it represented for
23 bondholders.

24 Q. Now you mentioned that in your
25 view, absent the settlement, rates could

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<p>1 F. Batlle - Professional Eyes Only 2 increase under the existing trust agreement 3 going forward beyond the level that are 4 capped by the transition charge; is that 5 right? 6 A. That is correct. 7 Q. Is it your understanding that any 8 increase in rates would have to be approved 9 by the Puerto Rico, the relevant Puerto 10 Rico energy regulator, which is PREB? 11 MS. McKEEN: Objection to the 12 extent it calls for legal testimony. 13 You can answer if you know. 14 A. Well, I'm not a regulatory 15 expert, but the PREB has purview every 16 PREPA's activities, and they would probably 17 have to undergo a rate case to approve or 18 disapprove rates. 19 Q. Okay. So as the representative 20 for PREPA and AAFAF testifying here today 21 in support of the RSA, do you have an 22 understanding as to whether or not PREB 23 would have actually increased rates going 24 forward under the trust agreement? 25 MS. McKEEN: Objection. Calls</p>	<p>1 F. Batlle - Professional Eyes Only 2 for speculation. 3 I'm sorry, I just want to make 4 sure I understand the question. 5 Are you asking if he knows what 6 PREB would do? 7 MR. BASSETT: I'm asking him if 8 he has any understanding of what PREB 9 would do. 10 MS. McKEEN: Okay. Calls for 11 speculation. 12 You can answer if you know what 13 PREB would do. 14 A. I don't know what they would do 15 other than carry out the responsibilities 16 of PREPA's regulator. 17 Q. Okay. Did you receive any advice 18 from anyone as to the likelihood that rates 19 would actually increase absent the 20 settlement? 21 A. No. 22 Q. So another non-economic -- has 23 PREPA or AAFAF had any conversations with 24 anyone at PREB about the RSA? 25 MS. McKEEN: Object to the form</p>
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<p>1 F. Batlle - Professional Eyes Only 2 of the question. 3 A. I don't know specifically whether 4 PREB or AAFAF have had conversations about 5 the RSA with PREB. 6 MR. LYNCH: Counsel, sorry to 7 interrupt, but are we at a point where 8 we might be able to downgrade the 9 confidentiality designation back to 10 confidential? 11 MS. McKEEN: Yes. And I think 12 since we have come back from our break, 13 there is nothing that I would have 14 designated as attorneys' eyes only. So 15 for purposes of the transcript, we can 16 stop that designation as of when we 17 went off the record, which I believe 18 was around 11 a.m. ^ RQ 19 MR. LYNCH: Thank you. Sorry to 20 interrupt. 21 BY MR. BASSETT: 22 Q. So back to the other non-economic 23 benefits, as we were calling them, one was 24 the effect of the RSA on the transformation 25 process.</p>	<p>1 F. Batlle - Professional Eyes Only 2 Did you undertake any effort to 3 quantify the value of that benefit to PREPA 4 and AAFAF? 5 MS. McKEEN: Object to the form 6 of the question. 7 A. As part of our deliberations, we 8 had conversations with counsel where 9 counsel would advise us of the 10 implications, both in time and potential 11 cost, of a prolonged Title III process and 12 the potential litigation related to, 13 including the lien challenge and the 14 receivership. And that formed part of our, 15 of the information we reviewed as part of 16 our decision-making process. 17 Q. Okay. But was it -- did PREPA or 18 AAFAF arrive at any conclusion as to the 19 value of this benefit of the RSA which is 20 its effect on the transformation process in 21 terms of percentage recoveries to 22 bondholders that it would be willing to 23 give in the settlement? 24 MS. McKEEN: Object to the form 25 of the question.</p>

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<p>1 F. Batlle - Professional Eyes Only</p> <p>2 A. We did not specifically</p> <p>3 incorporate the analysis that I just</p> <p>4 described that was performed with counsel.</p> <p>5 And I will again repeat that there are</p> <p>6 non-economic value to being able to provide</p> <p>7 certainty to the proponents that are</p> <p>8 bidding for the transformation -- for the</p> <p>9 operation of the transmission distribution</p> <p>10 system at PREPA, and that in itself is one</p> <p>11 of the important reasons why we entered</p> <p>12 into the RSA.</p> <p>13 Q. But just to be clear, yes or no,</p> <p>14 you did not put a percentage value on that</p> <p>15 benefit in terms of recoveries to</p> <p>16 bondholders?</p> <p>17 A. No.</p> <p>18 Q. You mentioned several times the</p> <p>19 benefit of resolving certain outstanding</p> <p>20 litigation, including the receivership</p> <p>21 litigation; is that right?</p> <p>22 A. Yes.</p> <p>23 Q. What other litigation does this</p> <p>24 resolve?</p> <p>25 There's other litigation with</p>	<p>1 F. Batlle - Professional Eyes Only</p> <p>2 bondholders, correct?</p> <p>3 A. The litigation right now is --</p> <p>4 you have the receivership motion and lien</p> <p>5 challenge. I would defer to counsel for</p> <p>6 the a list of the other litigation. I</p> <p>7 don't recall.</p> <p>8 Q. In PREPA and AAFAF's</p> <p>9 consideration of the RSA, did they have an</p> <p>10 understanding as to the potential best-case</p> <p>11 outcomes in litigation with the</p> <p>12 bondholders?</p> <p>13 MS. McKEEN: I'll object to the</p> <p>14 extent the question would require the</p> <p>15 witness to testify regarding the</p> <p>16 content of conversations with counsel</p> <p>17 about the likely outcome of litigation.</p> <p>18 I'll instruct that the witness</p> <p>19 can testify "yes" or "no" as to whether</p> <p>20 there was an understanding, but not</p> <p>21 what that understanding was.</p> <p>22 A. Okay. Can you repeat your</p> <p>23 question?</p> <p>24 Q. I'll rephrase it.</p> <p>25 Do you understand that in</p>
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<p>1 F. Batlle - Professional Eyes Only</p> <p>2 litigation with the bondholders, the</p> <p>3 government parties, including PREPA and</p> <p>4 AAFAF, have taken the position that the</p> <p>5 bondholders are unsecured?</p> <p>6 MS. McKEEN: I'll object to the</p> <p>7 extent it calls for the witness to</p> <p>8 testify regarding legal conclusions and</p> <p>9 legal positions that have been taken at</p> <p>10 various litigation. The position that</p> <p>11 the parties have taken in that</p> <p>12 litigation is a matter of public</p> <p>13 record.</p> <p>14 MR. BASSETT: She did not</p> <p>15 instruct you not to answer.</p> <p>16 A. I'll refer you to the public</p> <p>17 record as to what the government parties'</p> <p>18 position is.</p> <p>19 Q. So you have no understanding --</p> <p>20 as the representative for PREPA and AAFAF</p> <p>21 who is here today supporting the</p> <p>22 settlement, you have no understanding as to</p> <p>23 the position that PREPA and AAFAF are</p> <p>24 taking in litigation against the</p> <p>25 bondholders?</p>	<p>1 F. Batlle - Professional Eyes Only</p> <p>2 MS. McKEEN: Objection.</p> <p>3 Misstates testimony. It's not what the</p> <p>4 witness said.</p> <p>5 A. I won't agree with that</p> <p>6 statement, Counsel, and I would refer you</p> <p>7 to the public record, and that is what the</p> <p>8 government parties' position is. I never</p> <p>9 said I had no understanding.</p> <p>10 Q. So do you understand that the</p> <p>11 government parties have taken the position</p> <p>12 that the bondholders are unsecured?</p> <p>13 MS. McKEEN: Same objection.</p> <p>14 You can answer if you know.</p> <p>15 A. The government parties, as part</p> <p>16 of their analysis, have determined that</p> <p>17 there is, yes, a chance that the</p> <p>18 bondholders are unsecured bondholders.</p> <p>19 Q. And if the bondholders are</p> <p>20 unsecured, do you think that the settlement</p> <p>21 is reasonable?</p> <p>22 MS. McKEEN: Objection. This</p> <p>23 calls for legal conclusions and would</p> <p>24 require the witness to divulge the</p> <p>25 content of his conversations with</p>

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<p>1 F. Batlle - Professional Eyes Only 2 counsel regarding the likely outcome of 3 litigation, as well as calls for 4 speculation. 5 I'm going to instruct the witness 6 not to answer that question. 7 BY MR. BASSETT: 8 Q. Did you -- this is a "yes" or 9 "no" question. 10 Did you receive any advice from 11 counsel as to the likelihood of the 12 government parties prevailing in their 13 litigation against the bondholders? 14 MS. McKEEN: I'll instruct the 15 witness that he can answer that 16 question with a "yes" or "no," but that 17 he cannot reveal the content of any of 18 that advice, if he did receive advice 19 from counsel, about the likelihood of 20 the outcome of litigation. 21 A. Yes. 22 Q. How did that advice factor into 23 your decision to approve the RSA? 24 A. That advice, among other pieces 25 of information, led us to believe that the</p>	<p>1 F. Batlle - Professional Eyes Only 2 current RSA is reasonable, and that's why 3 we entered in the current RSA. 4 Q. Do you have an understanding that 5 the bonds subject to the RSA are 6 nonrecourse? 7 MS. McKEEN: Objection. Calls 8 for a legal conclusion. 9 You can answer if you know. 10 That's outside of the scope of 11 the topics. 12 A. I don't know. 13 Q. As someone with your experience 14 in the industry, including at GDB and being 15 involved in debt issuances, do you have an 16 understanding, generally, of what it means 17 for a bond to be nonrecourse? 18 A. Yes, I do. 19 Q. What is that understanding? 20 A. That you're recourse is limited 21 to whatever your source of repayment is, 22 generally speaking, obviously. 23 Q. And according to the testimony 24 you just gave, PREPA and AAFAF, when 25 deciding to approve the RSA, did not have</p>
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<p>1 F. Batlle - Professional Eyes Only 2 an understanding as to whether or not these 3 bonds are nonrecourse? 4 MS. McKEEN: Objection. 5 Misstates testimony, Counsel. 6 Do you want to rephrase the 7 question? 8 MR. BASSETT: No. 9 A. PREPA and AAFAF were provided 10 with legal advice and that legal advice 11 was -- 12 MS. McKEEN: I'm going to caution 13 the witness not to reveal the content 14 of any communications with counsel. 15 But if you can answer in a way that 16 doesn't reveal the content of those 17 communications, then please do so. 18 A. All right. I cannot do so. 19 Q. So to be clear, you said before 20 you did not have an understanding as to 21 whether or not the PREPA bonds were 22 nonrecourse. I can read back the 23 testimony. 24 A. Yes, please read back the 25 testimony.</p>	<p>1 F. Batlle - Professional Eyes Only 2 Q. "Question: Do you have an 3 understanding that the bonds subject to the 4 RSA are nonrecourse?" 5 Your counsel objected. 6 Your answer: "I don't know." 7 A. Okay. If I may, I'd like to take 8 that back and say that I know and that 9 AAFAF and PREPA know. But as part -- that 10 was part of the conversation with counsel, 11 and so I'm not going to divulge the content 12 of that conversation. 13 Q. So you were mistaken when you 14 gave that answer previously? 15 A. You're putting words in my mouth, 16 sir. I am telling you that I am redacting 17 that comment -- I am taking back that 18 comment that I made and telling you that as 19 part of our deliberation, we received legal 20 advice. And I've been instructed by 21 counsel not to divulge the contents of 22 those conversations. 23 Q. So when PREPA and AAFAF approved 24 the RSA, did they have an understanding as 25 to whether or not the bonds were recourse</p>

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<p>1 F. Batlle - Professional Eyes Only 2 or nonrecourse? 3 MR. HAMERMAN: Asked and 4 answered. 5 MS. McKEEN: You can answer the 6 question. 7 A. Yes. 8 Q. What was your understanding? 9 MS. McKEEN: Same objections. 10 You can answer if you know. It's 11 outside the scope, but you can answer. 12 A. PREPA's -- 13 MR. HAMERMAN: Objection insofar 14 as it calls for a legal conclusion. 15 A. It is my understanding that the 16 bonds that we're discussing here today 17 are -- it's the government's position that 18 they are unsecured creditors as part of the 19 -- they're unsecured as part of the 20 position that the government has adopted in 21 the public records. 22 Q. You did not answer my question. 23 A. Can you ask the question again, 24 please? 25 Q. You said that PREPA and AAFAF had</p>	<p>1 F. Batlle - Professional Eyes Only 2 an understanding as to whether or not the 3 bonds were recourse are or nonrecourse. 4 I'm asking you were they recourse 5 or nonrecourse? 6 MS. McKEEN: Same objections. 7 You can answer if you know. 8 MR. HAMERMAN: Objection insofar 9 as it calls for a legal conclusion. 10 It's not a knowable thing. 11 THE WITNESS: I'm sorry, sir? 12 MR. HAMERMAN: I just said it's 13 not a knowable thing. It's a legal 14 conclusion. 15 MR. LYNCH: I object to the 16 speechifying and the coaching of the 17 witness. 18 A. I will limit my statements to 19 saying that I am not going to divulge the 20 contents of our conversations, my 21 conversations, AAFAF and PREPA, with 22 counsel. 23 Q. A couple of times I believe 24 you -- actually, can we go back and look 25 at, I'm sorry, exhibit -- the document</p>
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<p>1 F. Batlle - Professional Eyes Only 2 that's been marked as Batlle Exhibit 6. 3 Do you have that, sir? 4 A. Yes, sir. 5 Q. Go the second page of that 6 document. Item No. 5 in the considerations 7 list, if I can direct your attention to 8 that. 9 (Witness complies.) 10 Q. And this says -- and I'm not 11 going to quote the entire passage, but that 12 "The preliminary RSA provides a more 13 favorable resolution than the transaction 14 contemplated in the original restructuring 15 support agreement." 16 Do you see that? 17 A. Yes, I do. 18 Q. And I think you mentioned before 19 that when PREPA and AAFAF were considering 20 the preliminary RSA, they compared it to 21 the prior RSA that existed; is that 22 correct? 23 A. That is correct. 24 Q. What prior RSA was that? 25 A. That was the agreement that was</p>	<p>1 F. Batlle - Professional Eyes Only 2 originally agreed to by -- under the García 3 Padilla administration as modified at the 4 beginning of the first few months of 2017 5 by the Rosselló administration. 6 Q. So I guess what I'm trying to 7 understand is, why did PREPA and AAFAF 8 believe that that was a -- you know, that a 9 comparison between the preliminary RSA and 10 the previous RSA was a relevant thing to 11 consider in determining whether to approve 12 the preliminary RSA? 13 A. So if you are proposing to enter 14 into this RSA, it is only logical to be 15 able to say whether this is better or not 16 than the prior agreement that was in place. 17 And so to me, it is a very fair and logical 18 analysis to do. 19 Q. But the fact that it's better 20 than another agreement that was ultimately 21 not approved does not really have any 22 bearing on whether this agreement is 23 reasonable, does it? 24 MS. McKEEN: Object to the form 25 of the question.</p>

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2 document, just a couple of other questions
3 on another topic.

4 So you mentioned that Mr. Sobrino
5 was the lead negotiator outside of advisers
6 for PREPA and AAFAF on the RSA, correct?

7 A. Correct.

8 Q. How often did you communicate
9 with Mr. Sobrino about the RSA?

10 A. Regularly. I mean, depending on
11 whether there were issues to be discussed,
12 we had, we had communication.

13 Q. And how did you communicate?

14 A. Typically with Nancy Mitchell,
15 who was the lead counsel. And it could
16 have been any combination of either phone
17 calls or other electronic means.

18 Q. When you say "other electronic
19 means," does that include text messages?

20 A. Yes.

21 Q. How often did you text with
22 Mr. Sobrino?

23 A. You know, as needed. I can't
24 tell you that it was every day. Maybe
25 sometimes every day, sometimes not. I

1 F. Batlle - Professional Eyes Only
2 mean, so as needed.

3 Q. Regarding the RSA?

4 A. Regarding the RSA.

5 Q. Did you provide all the texts
6 that you had with Mr. Sobrino to counsel in
7 connection with our document request?

8 A. Yes, I did.

9 Q. You're not aware of any texts you
10 may have had with Mr. Sobrino that were not
11 provided to counsel?

12 A. No, I'm not aware of any that
13 wasn't provided.

14 Q. Any that were deleted from your
15 phone?

16 A. No.

17 Q. Did you communicate with
18 Mr. Sobrino by any chat applications such
19 as Telegram?

20 A. Yes, at times, yes, too.

21 Q. How often?

22 A. In as needed. It was one of the
23 ways that he communicated with people. And
24 so as needed, I would communicate with him.

25 Q. How would you decide to

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2 communicate via Telegram versus text, for
3 example?

4 A. I wouldn't say there was any real
5 logic. Many times it was just the way he
6 asked. He would ask maybe a question or
7 where are you or whatever the topic might
8 have been. And it could have been through
9 either of the two means. I don't really
10 know how to answer what was the --

11 Q. Is one easier than the other?

12 A. I don't know.

13 Q. There weren't certain topics that
14 you discussed with him on Telegram and
15 others that you discussed on texts and
16 others that you discussed on email?

17 A. No, I don't think there was any
18 selection of anything. It was just the way
19 he communicated.

20 Q. Did you provide all of your
21 telegram chat messages with Mr. Sobrino to
22 counsel?

23 A. Yes, I did.

24 Q. Are you aware of any -- are you
25 aware of any Telegram conversations you had

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2 with Mr. Sobrino that had been deleted or
3 that at one time existed but no longer
4 exist?

5 A. Yeah, there could have been --
6 not being an expert, but the way sometimes
7 you would form groups and those groups you
8 could be removed from or not, and there
9 were probably some that at some point were,
10 because the topic was no longer relevant or
11 could have been deleted, that yes.

12 Q. So you may have had Telegram
13 conversations with Mr. Sobrino that no
14 longer exist and therefore you did not
15 provide to counsel?

16 A. I mean, I guess, theoretically,
17 yes, I just don't recall whether there were
18 any of them that were deleted related to
19 the topics that were here.

20 Q. Okay.

21 A. And I did not have any control
22 about that, right?

23 Q. And this is after -- this is
24 after I think you said you received a hold
25 notice regarding this litigation?

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<p>1 F. Batlle - Professional Eyes Only</p> <p>2 MS. McKEEN: Object to the form</p> <p>3 of the question.</p> <p>4 A. Yeah, I provided, sir -- I'm here</p> <p>5 to be truthful and honest, obviously under</p> <p>6 oath about what I know, and I think I</p> <p>7 provided everything that I had.</p> <p>8 Q. Okay. But there may have been</p> <p>9 some that you didn't?</p> <p>10 A. Well, I provided what I had.</p> <p>11 MS. McKEEN: And I'll just object</p> <p>12 to the form of the question. It may</p> <p>13 have been some that you didn't what?</p> <p>14 MR. BASSETT: Provide to counsel</p> <p>15 because they no longer existed.</p> <p>16 A. Well, I don't know if in those</p> <p>17 chats that I'm saying that could have been</p> <p>18 deleted, if there were any contents related</p> <p>19 to my deposition here today, but I provided</p> <p>20 everything I had.</p> <p>21 Q. Did you communicate with</p> <p>22 Mr. Sobrino by any other means other than</p> <p>23 texts and Telegram, other chat apps, et</p> <p>24 cetera?</p> <p>25 A. No. As I said, I communicated</p>	<p>1 F. Batlle - Professional Eyes Only</p> <p>2 through either email, Telegram, text, or</p> <p>3 phone, or in person.</p> <p>4 Q. Did you communicate with anyone</p> <p>5 else regarding the RSA by text?</p> <p>6 A. I did with counsel, with Nancy</p> <p>7 Mitchell, and probably with Maria DiConza</p> <p>8 as well. And there might have been some</p> <p>9 communication with maybe the Citi advisers,</p> <p>10 namely, David Brownstein. But whatever</p> <p>11 communications I had in my phone related to</p> <p>12 this, to the topics of this deposition, I</p> <p>13 turned over to counsel.</p> <p>14 Q. Okay. And just back to Telegram</p> <p>15 for one second, do you understand that you</p> <p>16 could have saved conversations that</p> <p>17 occurred on Telegram if you had wanted to,</p> <p>18 right?</p> <p>19 A. I don't --</p> <p>20 MS. McKEEN: Objection to form of</p> <p>21 the question.</p> <p>22 BY MR. BASSETT:</p> <p>23 Q. You don't have any understanding</p> <p>24 of that?</p> <p>25 A. No, I don't know.</p>
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<p>1 F. Batlle - Professional Eyes Only</p> <p>2 Q. To what extent have you</p> <p>3 communicated with José Ortiz, PREPA's CEO,</p> <p>4 regarding the RSA?</p> <p>5 A. I did not have direct</p> <p>6 communication with Mr. Ortiz about the RSA.</p> <p>7 Q. You've never had any</p> <p>8 communications with him?</p> <p>9 A. No, not about the RSA.</p> <p>10 Q. About the proposed</p> <p>11 transformation?</p> <p>12 A. No. Very limited, if any, direct</p> <p>13 conversations about it.</p> <p>14 Q. What was Mr. Ortiz's role in the</p> <p>15 negotiation and approval of the RSA?</p> <p>16 A. Mr. Ortiz's role in the</p> <p>17 negotiation of the RSA was very limited.</p> <p>18 He was the CEO of PREPA. Mr. Sobrino kept</p> <p>19 him and the board of PREPA abreast of what</p> <p>20 was going on, but he did not have a direct</p> <p>21 involvement in the negotiations of the RSA.</p> <p>22 Q. Okay. Let's go back to what's</p> <p>23 been marked as Exhibit 9.</p> <p>24 Do you recognize this document,</p> <p>25 Mr. Batlle?</p>	<p>1 F. Batlle - Professional Eyes Only</p> <p>2 A. Yes, I do.</p> <p>3 Q. And who is -- this is an email</p> <p>4 sent by Eduardo Muñoz. Who is that?</p> <p>5 A. Mr. Arosemena was a member of the</p> <p>6 board of PREPA. He was a government</p> <p>7 employee. If I recall correctly, he was at</p> <p>8 that time in the Secretary of State agency,</p> <p>9 and he also acted as secretary of the board</p> <p>10 of PREPA.</p> <p>11 Q. And he's sending this email to --</p> <p>12 is that -- the people listed in the "to"</p> <p>13 field there, are those the PREPA governing</p> <p>14 board members?</p> <p>15 A. Yes.</p> <p>16 Q. And this email was sent on</p> <p>17 April 16, 2019. And then it says, "Just</p> <p>18 received the documents for tomorrow's 10</p> <p>19 a.m. meeting on the PREPA RSA. Please let</p> <p>20 us know if you need anything from our end."</p> <p>21 Do you see that?</p> <p>22 A. Yes, I see that.</p> <p>23 Q. First of all, is it your</p> <p>24 understanding that the meeting to approve</p> <p>25 the PREPA RSA occurred the next day, on</p>

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<p>1 F. Batlle - Professional Eyes Only 2 April 17, 2019? 3 A. Yes. That is my recollection, 4 yes. 5 Q. And then these documents were 6 being sent to the board members at 7 9:43 p.m. on the 16th; is that right? 8 A. That's what this email has as 9 their sent date, yes. 10 Q. Do you have any reason to believe 11 that that's not accurate? 12 A. It's what the document says. 13 Q. So the documents that are 14 attached to this email includes a 15 presentation entitled "PREPA Restructuring 16 Support Agreement Overview." 17 Is that right? 18 A. Yes. 19 Q. And also attached is a copy of 20 the draft RSA; is that right? 21 (Document review.) 22 Q. It's after the presentation? 23 A. Yes. Looks like the draft, yes. 24 MS. McKEEN: And I'll just note 25 for the record that that document</p>	<p>1 F. Batlle - Professional Eyes Only 2 that's attached is pretty voluminous 3 and obviously the witness hasn't had 4 time to go through to make sure every 5 page is included and things like that. 6 We'll obviously accept your 7 representation for the record. 8 MR. BASSETT: Sure. Yeah, this 9 is a complete copy of what was produced 10 to us in discovery. 11 BY MR. BASSETT: 12 Q. Was a copy of the draft RSA 13 provided to the board members prior to this 14 email to which it is attached here? 15 A. I do not know what Mr. Sobrino 16 provided to the board members prior to this 17 meeting. His interaction -- I was not part 18 any interaction he had with board members. 19 Q. But you're here today as the 20 representative of PREPA and AAFAF, correct? 21 A. Yes, I am. 22 Q. And I think you even told me 23 that, although your counsel wouldn't let 24 you answer, that you had -- you had -- 25 wouldn't let you answer as to the content,</p>
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<p>1 F. Batlle - Professional Eyes Only 2 you had had discussions with Mr. Sobrino 3 about the RSA, correct? 4 A. That is correct. 5 Q. So you don't know as PREPA's or 6 AAFAF's representative whether or not board 7 members received a copy of the draft RSA 8 prior to this email? 9 A. No. Based on my conversation 10 with Mr. Sobrino, we didn't discuss this 11 specifically. 12 MS. McKEEN: I'll counsel the 13 witness not to divulge the contents of 14 your conversation with Mr. Sobrino on 15 which lawyers were present. 16 BY MR. BASSETT: 17 Q. Okay. So you're unprepared -- 18 just to be clear, you are you're unprepared 19 to answer that question today because you 20 don't know? 21 MS. McKEEN: Counsel, I think 22 that misstates the witness' testimony. 23 A. I disagree with your 24 characterization that I am unprepared. I 25 am letting you know that I don't know</p>	<p>1 F. Batlle - Professional Eyes Only 2 whether in another context or prior to this 3 or physically or in an electronic 4 communication Mr. Sobrino provided this 5 document to the other board members. 6 Q. Do you know whether anyone at 7 PREPA or AAFAF or their advisers discussed 8 the RSA with board members prior to the 9 meeting that occurred on April 17, 2019? 10 A. So part of my answer would refer 11 to my conversation with Mr. Sobrino which 12 has privileged contents, so I won't answer 13 that. 14 MS. McKEEN: I want to be clear 15 about my instruction to the witness. 16 I don't want you to give 17 testimony about the conversation 18 itself, but to the extent the purpose 19 of that conversation was to educate you 20 to give testimony here at this 21 deposition today, if there is 22 information that you learned from 23 Mr. Sobrino that would help you answer 24 that question, you may testify as to 25 what you know now on behalf of AAFAF</p>

1 F. Batlle - Professional Eyes Only
2 and PREPA. If that knowledge is based
3 in part on that conversation, that's
4 okay.

5 Does that make sense to you? Do
6 you understand that distinction? So if
7 the contents of that conversation will
8 help you answer Mr. Bassett's question,
9 please do so.

10 THE WITNESS: Okay.

11 A. So it is my understanding that
12 Mr. Sobrino had informed board members
13 about the progress of the negotiations
14 related to the RSA. And formally, as part
15 of a board meeting, it is my understanding
16 that the document you have here was the
17 document that was used to explain in more
18 detail to board members the RSA.

19 Q. When you said it's your
20 understanding that Mr. Sobrino had informed
21 board members about the progress of the
22 negotiations related to the RSA, when did
23 he do that?

24 A. I don't know which specific
25 meetings or whether it was outside of the

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2 formal meetings that -- board meetings that
3 took place, but he did have conversations
4 with them about the progress of the RSA
5 negotiations.

6 This was, as you know, a very
7 public topic and so as part of his duties,
8 he would keep people abreast of what was
9 happening.

10 Q. Were each of those conversations
11 or meetings, or in whatever context they
12 occurred, with all of the board members?

13 A. I don't know.

14 Q. And, again, you don't know when
15 these conversations took place?

16 A. No, I do not know.

17 Q. Was the RSA, to your knowledge,
18 discussed at any prior board meetings of
19 PREPA or AAFAF?

20 A. The RSA, my understanding was
21 that this was the only formal presentation
22 that was made to discuss the RSA at the
23 board level, both at AAFAF and PREPA.

24 Q. Can I now please direct your
25 attention to what's been marked as Batlle

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2 Exhibit 10. Go ahead and take your time to
3 familiarize yourself with this document, if
4 you need it.

5 (Document review.)

6 Q. Whenever you're ready,
7 Mr. Batlle. I'm not going to ask you about
8 every single line in the document.

9 A. So I'll let you know. I'm still
10 on the next to last page.

11 (Document review.)

12 A. I am ready.

13 Q. So is it your understanding,
14 Mr. Batlle, that what I've handed you
15 that's been marked as Exhibit 10 is a copy
16 of the minutes from the meeting that
17 occurred on April 17, 2019?

18 A. Yes.

19 Q. The meeting began at 10:25 a.m.
20 in the morning; is that right?

21 A. That is what the minutes say,
22 yes.

23 Q. And I think the minutes close by
24 saying the meeting adjourned at 12:04 p.m.;
25 is that right?

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2 A. Yes, that's what the minutes say.

3 Q. So according to the minutes, the
4 meeting lasted about an hour and a half?

5 A. Approximately, yes.

6 Q. So after having -- you attended
7 the meeting, correct?

8 A. Yes, I was present in that
9 meeting.

10 Q. After having reviewed the minutes
11 and after having been at the meeting, do
12 these minutes accurately reflect what
13 occurred at the meeting, in your view?

14 A. Yeah, that what I can recall
15 today of the meeting in April, I think it
16 does.

17 Q. Do you see anything that is
18 inaccurate?

19 A. Not really.

20 Q. Anything that was discussed that
21 is not mentioned in these minutes?

22 A. Well, this document was discussed
23 in the meetings.

24 Q. Okay.

25 MS. McKEEN: Nick, can we take a

<p style="text-align: right;">Page 138</p> <p>1 F. Batlle - Professional Eyes Only 2 quick break? 3 MR. BASSETT: Yeah, sure. 4 MS. McKEEN: Okay. Can we go off 5 the record? 6 THE VIDEOGRAPHER: The time is 7 12:19 p.m. We are going off the 8 record. 9 (Recess is taken.) 10 (Batlle Exhibit 11, Document 11 entitled "Commonwealth of Puerto Rico, 12 Puerto Rico Electric Power Authority 13 Governing Board Resolution Definitive 14 Restructuring Support Agreement 15 Resolution Number 4695, Tomás Torres, 16 Board Member Consumers Representative, 17 dissenting," Bates-stamped 18 PREPA_RSA0027814 through 278817, marked 19 for identification, as of this date.) 20 (Batlle Exhibit 12, Letter dated 21 5/7/19 from Tomás Torres to Eli Diaz 22 Atienza, Bates-stamped PREPA_RSA0028029 23 through 28033, marked for 24 identification, as of this date.) 25 (Batlle Exhibit 13, Email dated</p>	<p style="text-align: right;">Page 139</p> <p>1 F. Batlle - Professional Eyes Only 2 5/22/19 from Cintron Solla to Fernando 3 Batlle,, Bates-stamped PREPA_RSA0029338 4 through 29338 with attached 5 TransPerfect translation certification, 6 marked for identification, as of this 7 date.) 8 THE VIDEOGRAPHER: The time is 9 12:30 p.m. We are on the record. 10 BY MR. BASSETT: 11 Q. Mr. Batlle, are you familiar with 12 the demand protections that exist under the 13 RSA? 14 A. Yes, I am. 15 Q. And would you consider that to be 16 a material part of the RSA? 17 MS. McKEEN: Object to the form 18 of the question. 19 A. It is a part of the RSA. 20 Q. It could lead to the increase in 21 rates going forward in the event of 22 non-payment by certain customers. 23 Is that generally your 24 understanding? 25 A. That is -- it could lead to the</p>
<p style="text-align: right;">Page 140</p> <p>1 F. Batlle - Professional Eyes Only 2 increase for government parties 3 specifically going forward, yes. 4 Q. All right. So the Demand 5 Protection Term Sheet could not result in 6 an increase in rates for PREPA's 7 non-government customers? 8 MS. McKEEN: Objection. 9 Misstates testimony. 10 A. Can you repeat the question? 11 Q. I thought what you said was that 12 the Demand Protection Term Sheet, the way 13 it works, it could result in an increase in 14 the rates of government customers going 15 forward under certain circumstances? 16 A. I'm sorry, say that again. You 17 said in the rate of government customers? 18 Q. Yes. 19 A. No. 20 Can you repeat your question? I 21 want to make sure I'm being responsive to 22 what you're asking. 23 Q. Yes. Right. 24 Is it your understanding that the 25 Demand Protection Term Sheet, the way it</p>	<p style="text-align: right;">Page 141</p> <p>1 F. Batlle - Professional Eyes Only 2 works is that under certain circumstances, 3 the transition charge, which is otherwise 4 capped, could be increased in subsequent 5 years for all of PREPA's customers? 6 A. There is a provision that if 7 there is delinquency of government 8 entities, the first 1.5 percent of that 9 delinquency is absorbed by creditors, but 10 if there is anything above that, then there 11 would be an adjustment to the transition 12 charge for that amount, yes. 13 Q. It's not just nonpayment by 14 government parties, though, right; it's 15 nonpayment by any customer? 16 A. No, it's a government. 17 Q. Only the government parties? 18 A. If you allow me, let me... 19 (Document review.) 20 Q. In the interest of time, I'll 21 withdraw the question. 22 A. Okay. 23 MS. McKEEN: Counsel, if the 24 witness would like to clarify his 25 answer, I think we should let him do</p>

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<p>1 F. Batlle - Professional Eyes Only 2 that. 3 MR. BASSETT: Okay. 4 BY MR. BASSETT: 5 Q. You want to clarify your answer? 6 MS. McKEEN: Did you want to -- 7 it seemed like you were looking at the 8 document to try to refresh your 9 recollection. 10 THE WITNESS: There is nothing 11 anything in here that I thought might 12 help me refresh my memory. No, there's 13 nothing here. 14 MS. McKEEN: And if there is 15 another document that would be helpful 16 to you to refresh your recollection, 17 you can let Mr. Bassett know. 18 A. Yeah. Well, there is a -- in the 19 term sheet, there is a specific section 20 that addresses this, and I'm just trying to 21 recall the specific circumstances under 22 that transition charge would change. And I 23 specifically recall the government parties, 24 but I'd like to be able to read that 25 section before completing my answer.</p>	<p>1 F. Batlle - Professional Eyes Only 2 Q. Okay. Let me direct your 3 attention back to Exhibit 11. 4 Oh, I'm sorry. That's the wrong 5 number. I apologize. It is Exhibit 9. 6 I'm sorry. 7 A. Okay. 8 Q. I'm looking specifically at the 9 presentation that was provided in advance 10 of the board meeting. If you go to page 9 11 of that presentation. 12 A. Okay. 13 Q. At the bottom, it says, "certain 14 items not yet agreed." 15 It has demand protections and 16 securitization protections and the form of 17 9019 motion in order. 18 Do you see that? 19 A. Yes. 20 Q. What are the securitization 21 protections? 22 A. Those were items related to the 23 actual vehicle through which the transition 24 charge would -- it was enacted that also 25 required -- those were the basis for them,</p>
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<p>1 F. Batlle - Professional Eyes Only 2 the legislation that would be required to 3 enable the implementation of the RSA. 4 Q. So when the boards of PREPA and 5 AAFAF met and approved the RSA, they did 6 not have in front of them the demand 7 protections or the securitization 8 protections; is that right? 9 A. That is correct because the 10 documents were not yet agreed to. 11 Q. How could the board approve a 12 transaction without having these aspects of 13 it to consider? 14 A. Because the most material aspects 15 of this settlement are included in the 16 definitive RSA document and were explained 17 through this presentation to board members. 18 Q. Are the protections in the demand 19 protections and the securitization 20 protections material in your view? 21 MS. McKEEN: Objection. Object 22 to the form of the question. Calls for 23 legal testimony. 24 A. They are part of the agreement. 25 I mean, they are part of what was needed to</p>	<p>1 F. Batlle - Professional Eyes Only 2 be agreed with the supporting bondholders 3 to finish the RSA. 4 Q. Are they material parts of the 5 agreement? 6 MS. McKEEN: Same objections. I 7 don't know what you mean by "material." 8 BY MR. BASSETT: 9 Q. Are they important? 10 A. They are part of the deal. 11 Without them, the deal would not have been 12 able to be consummated or signed. 13 Q. Who decided what provisions of 14 the RSA needed to be finalized prior to 15 this meeting? 16 A. I don't understand the question. 17 Q. I'll ask a different question. 18 Did the board of either PREPA or 19 AAFAF approve the Demand Protection Term 20 Sheet and the securitization protections at 21 a subsequent date? 22 A. No. 23 Q. Can you go to the last page of 24 that PowerPoint presentation, please? I'm 25 sorry, it's not going to be the last page;</p>

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<p>1 F. Batlle - Professional Eyes Only 2 it's going to be the last page before 3 getting to the annex of RSA terms. 4 (Document review.) 5 MS. McKEEN: Counsel, would you 6 giving the Bates number for the record, 7 please? 8 MR. BASSETT: Sure. The Bates 9 number for the record is 10 PREPA_RSA003003. 11 (Document review.) 12 A. Okay. 13 Q. First of all, there is an annex 14 of RSA terms here, right, behind that? 15 A. Yes. 16 Q. And did you go through all of 17 that in the meeting in that hour and a 18 half? 19 A. I don't recall whether we 20 specifically went through each single page 21 of this document, but there was a 22 discussion about this document, and there 23 were interactions between the board members 24 and Mr. Sobrino and the other participants 25 of the meeting. And they asked all the</p>	<p>1 F. Batlle - Professional Eyes Only 2 questions that -- they were given an 3 opportunity to ask further questions needed 4 to ask. 5 Q. Is it fair to say that any 6 discussion of particular provisions in any 7 level of detail would likely be reflected 8 on the minutes? 9 MS. McKEEN: Objection. 10 A. I mean, I don't -- I didn't write 11 those minutes, so I cannot tell you what's 12 the standard for PREPA's -- 13 Q. But you -- 14 A. Yeah, but I don't know whether 15 PREPA's -- you know, some of the stuff is, 16 was discussed, but it doesn't necessarily 17 mean everything was discussed. Or it 18 doesn't really reflect everything that was 19 discussed in the meeting, so... 20 Q. Were there any discussions of key 21 terms in any level of detail that you will 22 recall having that are aren't reflected on 23 the minutes? 24 A. I don't recall whether there were 25 specific questions or discussions around</p>
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<p>1 F. Batlle - Professional Eyes Only 2 the key terms. 3 Q. Okay. On 003, I just want to ask 4 you a couple of questions. 5 There is a statement here that 6 says, "The securitization structure is 7 favorable as it provides bondholder limited 8 defaults and remedies only against SPV." 9 Do you see that? 10 A. Yes, I do. 11 Q. Are you familiar with the concept 12 of a securitization termination under the 13 RSA? 14 A. I have to review the term again 15 in the RSA if you allow me. 16 Q. Without -- okay. 17 (Document review.) 18 Q. Can I ask a different question 19 and see if it helps? 20 A. Sure. 21 Q. Do you have an understanding, 22 sir, that there is a situation in which 23 under the RSA, the securitization structure 24 can be terminated, but the bondholders 25 still receive the same benefits in terms of</p>	<p>1 F. Batlle - Professional Eyes Only 2 secured allowed claims in the amount of 73 3 and a quarter percent and other benefits 4 such as settlement payments and 5 administrative claims? 6 A. Yes, that is correct. That is 7 Section 9 of the definitive RSA document 8 that is included in the -- as part of 9 Exhibit 9. 10 Q. So in that scenario, you're still 11 giving the bondholders the benefits of the 12 recoveries that the RSA provides, but the 13 government's not getting the benefits of 14 the securitization structure, right? 15 MS. McKEEN: Object to the form 16 of the question. 17 You can answer. 18 A. All this says is that if a 19 government party terminates this agreement 20 because somebody wakes up one morning and 21 says I don't want to do this agreement, 22 then bondholders would be entitled to the 23 stipulated treatment that is described in 24 this section. 25 Q. You said that if someone wakes up</p>

1 F. Batlle - Professional Eyes Only
2 a stipulated treatment termination under
3 the RSA?

4 A. Yes.

5 Q. And do you have an understanding
6 that in the event of a stipulated treatment
7 termination, the bondholders are entitled
8 to retain any settlement payments that
9 they've received under the agreement
10 following that termination?

11 MR. HAMERMAN: Objection insofar
12 as it calls for a legal conclusion.

13 A. I don't know what they would be
14 entitled at the end because it is my
15 understanding that the stipulated
16 treatment, the shape it takes would end up
17 being determined in a court process, I
18 believe.

19 Q. You don't have an understanding
20 under the RSA whether or not in the event
21 of -- for example, let's say, let's say a
22 bondholder breaches the RSA and a
23 termination event occurs.

24 Do you have an understanding
25 whether the bondholder who breaches the RSA

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2 is entitled to retain any consideration
3 that it's received in the form of
4 settlement payments?

5 MS. McKEEN: Objection. Calls
6 for speculation and calls for a legal
7 conclusion.

8 A. No, I don't recall what -- that
9 specific termination, but I refer you to
10 the document.

11 Q. Now we may -- I may walk you
12 through the document, but I won't do that
13 right now.

14 Back to Exhibit 10, please.

15 A. Yes.

16 Q. I'd like to direct your attention
17 to page 3 of the minutes.

18 By the way, whenever it
19 references Mr. Sobrino here, it has atty,
20 period, before.

21 What is that?

22 A. It is my understanding that is
23 the abbreviation for attorney.

24 Q. Mr. Sobrino is an attorney?

25 A. That is my understanding.

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2 Q. But was he acting as an attorney
3 in these discussions?

4 MS. McKEEN: I'll object.

5 You can answer if you know.

6 A. My understanding is Mr. Sobrino
7 was acting in his capacity as a government
8 officer, not as an attorney.

9 Q. Okay. So at the top of page 3,
10 actually, the second line down -- actually,
11 let me go up above that.

12 It's -- the first line of that
13 page says, "In the original RSA, there
14 would have been an exchange of 85 percent
15 for the ad hoc and 100 percent for the
16 insurers."

17 Do you see that?

18 A. Yes, I do.

19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]

25 Q. I think we talked this about a
little bit earlier, but if 85 percent for

1 F. Batlle - Professional Eyes Only
2 the ad hoc and 100 percent for the insureds
3 -- insurers was too high and that the
4 recoveries under the RSA are, in your view,
5 not too high, at what point is there -- at
6 what point is it too high?

7 MS. McKEEN: Objection. Asked
8 and answered.

9 MS. DALE: Calls for speculation.

10 A. As I have repeatedly said today,
11 we made a determination that this RSA at 67
12 and a half, plus up to a potential
13 additional 10 percent on the tranche B
14 bondholder was a reasonable settlement.

15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]

22 Q. What is your understanding of
23 what it means that the claims are
24 accumulating?

25 A. That interest due on the bonds

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<p>1 F. Batlle - Professional Eyes Only 2 continues to accumulate. 3 Q. Continues to accumulate even 4 though PREPA is now subject to a Title III 5 proceeding? 6 MS. McKEEN: I'll object to the 7 extent it calls for legal testimony. 8 You can answer if you know. 9 BY MR. BASSETT: 10 Q. A Title III case. 11 A. Under a Title III case, if you 12 are a secured bondholder, you continue to 13 accrue after filing. 14 Q. So it's your understanding, as 15 the representative of PREPA and AAFAF, that 16 in a Title III case, all secured creditors 17 continue to accrue interest post filing? 18 MS. McKEEN: I'm going to object 19 the question. Calls for a legal 20 conclusion of a witness who is not a 21 lawyer. 22 You can answer if you know, but I 23 don't want you to speculate. 24 A. Generally speaking, that is the 25 case. That is my understanding.</p>	<p>1 F. Batlle - Professional Eyes Only 2 MS. McKEEN: I'm sorry, Fernando. 3 Could whoever is on the line 4 please mute yourself. We can hear your 5 background noise. Thank you. 6 BY MR. BASSETT: 7 Q. And is it your understanding that 8 these bonds are secured? 9 A. There is a -- bondholders argue 10 that they are. And that is part of the 11 potential litigation that is out there. 12 Q. I just want to clarify because 13 you answered maybe in your personal 14 capacity instead as the representative of 15 PREPA and AAFAF. 16 But as a representative of PREPA 17 and AAFAF who is here to testify about the 18 RSA, including the process by which it was 19 approved, at this meeting and as you sit 20 here today, it's your understanding that in 21 a Title III case, secured claims continue 22 to accrue interest after the Title III 23 petition date? 24 MS. McKEEN: Same objections. 25 Asked and answered. Calls for legal</p>
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<p>1 F. Batlle - Professional Eyes Only 2 testimony. 3 You can answer if you know, but I 4 don't want you to speculate. 5 A. I'm not going to speculate about 6 that, sir. 7 Q. Okay. And in this meeting, 8 Mr. Sobrino was using the accumulation of 9 interest as one of the reasons why the 10 settlement should be approved, right, to 11 avoid that, correct? 12 A. Well, it's a statement that he 13 makes and is reflected in the minutes. It 14 is in the minutes, yes. 15 Q. Do you know what it means for a 16 bondholder to be oversecured or 17 undersecured? 18 MS. McKEEN: Calls for legal 19 testimony. Outside the scope. 20 You can answer to the extent that 21 you know. 22 A. Yes, I know what the definition 23 of that is. 24 Q. And what is your understanding? 25 A. If you're oversecured or</p>	<p>1 F. Batlle - Professional Eyes Only 2 undersecured, it means whether you have 3 sufficient -- you're covered by sufficient 4 collateral. 5 Q. Do you have any understanding as 6 to whether or not bondholders or any other 7 creditors' oversecured or undersecured 8 status bears on its entitlement to receive 9 interest after a filing date? 10 MS. McKEEN: I'm going to object 11 to the question on the grounds that it 12 calls for testimony of a legal nature. 13 And I'm going to further instruct the 14 witness not to answer to the extent his 15 understanding as to that issue is 16 informed by conversations or advice 17 that he may have received from counsel. 18 A. Yes, my understanding of that is 19 by information I received from counsel. 20 Q. Yes or no question: Did you 21 receive advice from counsel as to whether 22 or not the bonds were oversecured or 23 undersecured on the Title III petition date 24 and the consequences of that? 25 MS. McKEEN: I'm going to further</p>

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2 object since we've been discussing
3 there is debate as to whether they're
4 secured at all. But I'll allow the
5 witness to answer as to whether or not
6 he had conversations with counsel about
7 this issue generally, if he can answer
8 on a "yes" or "no" basis.

9 A. Yes, I've had conversations
10 generally.

11 Q. Can you go to page 4, please?
12 (Witness complies.)

[REDACTED]

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[REDACTED]

21 Q. Why did you say that?

22 A. I said that because this is a
23 transaction that involves a significant
24 amount of different stakeholders, creditor
25 groups with different perspectives. It is

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2 in the middle of a very politically charged
3 environment. And so the deliberative
4 process related to a -- one of the largest
5 utilities in the U.S. under an unproven
6 statute like PROMESA creates for many
7 complexities. And so what I was trying to
8 say in relation to that is that the process
9 to get into this RSA was one -- was a very
10 complex one and time-consuming one.

11 Q. And is the resulting transaction
12 complex?

13 A. No, the result of the transaction
14 is a settlement that helps PREPA exit Title
15 III. The professionals that are involved
16 in the process get paid to deal with the
17 complexities of this. So the end result is
18 a settlement that is not complex to
19 explain, but getting there was a complex
20 process.

21 Q. You don't think this is a complex
22 transaction to explain?

23 A. I just said that it is a very --
24 it was a complex transaction, and I stand
25 by my comment.

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2 I think that you can explain it,
3 and this document's intention was to do
4 that, the document that you're referencing,
5 Exhibit 9. If you're going to go line by
6 line and then start explaining every single
7 detail, yes, it can be complex; I'm not
8 going to deny that. But in the end, this
9 was something that was reached with the
10 support of very sophisticated advisers on
11 both sides. And, yes, it is complex, but
12 you can sit down and explain it in a
13 relatively simple way in terms of what it
14 achieves.

15 Q. Go to on the top of the next
16 page, please.

17 (Witness complies.)

18 Q. This says, "To provide for
19 additional time" -- and I'll let you read
20 it. I'm just going to paraphrase here for
21 the sake of expediency.

22 Is it fair to say that there was
23 a member of the PREPA governing board who
24 voiced a concern about the amount of time
25 that the board members had to consider the

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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2 Q. What I've handed you is an email
3 chain Bates-stamped PREPA_RSA0029088.
4 Mr. Batlle, you appear to be
5 copied on at least one of these emails
6 which -- one or more of these emails which
7 were exchanged in March of 2019.

8 Can you just tell me generally,
9 did you recall this email exchange, first
10 of all?

11 A. Yes, after reviewing it here, I
12 recall seeing this graph, yes.

13 Q. And can you tell me generally
14 what's going on? This looks to be an
15 exchange primarily between people at Citi
16 and people at Ankura where certain
17 information is being shared.

18 Can you just tell me what this
19 related to?

20 A. This is related to the -- what's
21 called here the collection curve, I
22 believe. And it relates to the payment,
23 customer payments and the amount of
24 collections. And it reflects both the
25 total amount and then the amount excluding

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2 the government.

3 Q. And if you go to that chart that
4 appears on that email that's the second
5 from the top in the document and then the
6 text above it, it says this is from James
7 Castiglioni.

8 Who is that?

9 A. James Castiglioni is part of the
10 Citi team that advises the board.

11 Q. Okay. And then his email was
12 later forwarded to you by David Brownstein.

13 But in this his email, he says,
14 "If I understand this, the percentage
15 collection of all clients is 76 percent for
16 the time period 7/1/2012 through
17 11/1/2018."

18 Do you see that?

19 MS. McKEEN: Objection. The
20 document speaks for itself.

21 A. That's what the email says.

22 Q. Do you have an understanding as
23 to whether or not that is an accurate
24 statement as to the percentage collections
25 for PREPA during that time period?

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2 A. No, I'd have to -- if you're
3 asking me for my understanding, I have to
4 look at the spreadsheet where these numbers
5 come from.

6 Q. Who prepared the spreadsheet?

7 A. That spreadsheet was prepared by
8 PREPA, if I read this correctly.

9 The second page attaching the
10 collection current analysis prepared by
11 PREPA.

12 Q. So as the representative of PREPA
13 and AAFAF and someone who was involved in
14 the RSA, do you have an understanding of
15 what the general collection rate was for
16 PREPA over this time period that's
17 addressed in this email?

18 A. I have a general understanding
19 based on the numbers included in this
20 email, yes.

21 Q. Does the number 76 percent sound
22 accurate to you during that time period?

23 A. It sounds low, but that's what
24 the numbers reflect.

25 Q. Did PREPA do any analysis as to

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2 what it expects the collection rate to be
3 moving forward?

4 A. Well, it is the expectation of
5 the government that as part of this
6 transformation, the selected entity that
7 will run the T&D operation will have the
8 right incentives to make sure that
9 collections are as high as possible. 100
10 percent being the optimal level and that is
11 the expectation.

12 Q. It's expected that collections
13 will become 100 percent?

14 A. No, I'm saying that an optimal
15 level would be to be at 100 percent. I'm
16 not saying that they're going to go to 100
17 percent.

18 Q. Was any analysis performed as to
19 what's realistically expected?

20 A. No.

21 Q. Do you have an understanding of
22 whether or not the -- strike that.

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[REDACTED]

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[REDACTED]

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[REDACTED]

8 THE VIDEOGRAPHER: The time is
9 2:34 p.m. Off the record.

(Recess is taken at this time.)

11 THE VIDEOGRAPHER: The time is
12 2:43 p.m. We are on the record.

13 MR. BASSETT: Mr. Batlle, I do
14 not have any additional questions for
15 you at this point in the deposition.
16 As I discussed with your counsel in the
17 hallway, I'm not waiving whatever right
18 I might have to ask another question or
19 two later. I don't anticipate doing
20 that, but I just wanted to put on the
21 record that I reserve the time.

22 EXAMINATION BY

23 MR. LYNCH:

24 Q. Good afternoon, Mr. Batlle.

25 A. Good afternoon.

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2 Q. My name is John Lynch. I work at
3 Wachtell Lipton Rosen & Katz. We are
4 counsel for Cortland Capital Market
5 Services LLC.

6 Thank you for being here. I
7 appreciate your questions -- your answers
8 to our questions.

9 Just a couple of follow-ups on
10 your background.

11 Did you do anything -- when did
12 you graduate from Northeastern?

13 A. 1989.

14 Q. And did you do anything between
15 1989 and the time you went to Harvard
16 Business School?

17 A. Yes, I did.

18 Q. What did you do?

19 A. I worked for a firm that was
20 called Metmore Financial, which is was one
21 of the leading mortgage banks in Puerto
22 Rico, and I was there as assistant to the
23 CEO.

24 Q. How long were you there?

25 A. I was there literally from the

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<p>1 F. Batlle - Professional Eyes Only 2 time that I graduated from undergrad at 3 Northeastern and the time shortly before I 4 started Harvard Business School, so three 5 years give or take. 6 Q. Okay. You started Harvard 7 Business School, I guess, in the fall of 8 '92? 9 A. Yes. 10 Q. Okay. And you're not a lawyer, 11 right? 12 A. I am not a lawyer. 13 Q. Are you an investment banker? 14 A. I am not an investment banker. 15 Q. What do you call yourself when 16 people ask you what do you do for a living? 17 A. I am financial adviser. 18 Q. Okay. Is that a consultancy 19 role? 20 MS. McKEEN: Objection. 21 BY MR. LYNCH: 22 Q. What do you mean by financial 23 adviser? 24 A. I advise clients on matters 25 related to financial issues that include</p>	<p>1 F. Batlle - Professional Eyes Only 2 restructurings. 3 Q. And how long have you been doing 4 that? 5 A. I have been with Ankura for two 6 and a half years now, approximately. 7 Q. You didn't do that before you 8 came to Ankura; is that correct? 9 A. Before I came to Ankura, I was 10 CEO of a broker-dealer called Santander 11 Securities. And as part of that role, I 12 had a unit that did advise clients in 13 financial matters, and I had oversight over 14 that unit. 15 Q. What else did Santander 16 Securities do while you were CEO? What 17 other lines of business was it engaged in? 18 A. Santander Securities was engaged 19 in retail brokerage. It also had an arm or 20 a subsidiary that did asset management and 21 the incidental business around the 22 securities, retail securities business, 23 mostly. 24 Q. I may have this wrong, so forgive 25 me and correct me, please, but I believe I</p>
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<p>1 F. Batlle - Professional Eyes Only 2 heard you testify this morning that you may 3 have had some involvement with PREPA in 4 connection with a bond offering while at 5 Santander Securities. 6 Do I have that right? 7 A. Yes, I think I said that, yeah. 8 Q. What was that? 9 A. And I don't -- 10 MS. McKEEN: I just object. I 11 think it misstates the witness' 12 testimony. 13 MR. LYNCH: That's why I asked 14 the question. 15 A. Well, what I think I said is, 16 while I was at the GDB, I did have a 17 participation. When I was at Santander 18 Securities, there were potentially clients 19 that had bonds, PREPA bonds. And I'd have 20 to look back at the dates. We might have 21 been part of a syndicate of banks that 22 might have sold PREPA bonds, but I don't 23 recall whether for the time period that I 24 was there, there was a bond issue. There 25 is a possibility there was, but I don't</p>	<p>1 F. Batlle - Professional Eyes Only 2 recall. 3 Q. What's the precise time frame or 4 as precise as you can recall that you were 5 at Santander Securities? 6 A. So I joined Santander Securities 7 in 2011, probably June, July time frame. 8 July, probably. And I left Santander 9 Securities late, probably late third 10 quarter of 2016, Septemberish type of -- 11 September, October. 12 Q. And you were there continually 13 that begin date to the end date; is that 14 right? 15 A. Correct. 16 Q. Okay. In your career as a 17 financial adviser, do you have any 18 particular specialty? 19 A. No. I am versed in financial 20 matters generally. 21 Q. Do you have any particular 22 geography that you cover? 23 A. So for part of my career, I was 24 based in Puerto Rico. And then after I 25 joined Santander Securities, I -- in 2013,</p>